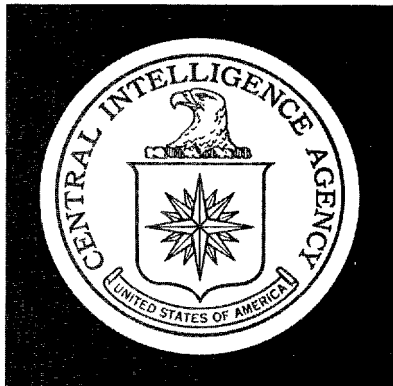


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State Department review completed

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[South Vietnam: An estimated two Viet Cong battalions continue to hold attack positions just southwest of Tay Ninh city.

Although allied counterattacks have apparently driven the bulk of Communist forces from the city and its immediate environs, sharp contacts with at least squad-sized enemy units continue to be reported inside the city proper. In outlying areas, allied field positions are still being shelled. Casualty reports from the Tay Ninh battle are unusually light considering the size and scope of the action.

Indications of Communist plans to widen the action in the III Corps - Saigon area continue to be received. A special communiqué was broadcast over the Viet Cong radio on 12 September which warned the people of the first and second precincts in Saigon to stay away from allied bases and "nerve centers." The timing and the language of the broadcast suggest that the Communists would like to have it interpreted as a warning of forthcoming attack.

In other areas of South Vietnam on 11-12 September, the major military action involved skirmishes along the Demilitarized Zone and around Pleiku city. A 14-hour clash with an enemy force of estimated regimental size occurred near Loc Ninh in Binh Long Province. Also, Binh Thuy air base was heavily shelled.

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Czechoslovakia-USSR: Prague is expected to take steps today to fulfill some of its commitments under the Moscow agreement.

The National Assembly convenes today to legalize censorship and to prohibit formation of political parties and semipolitical groups outside the framework of the Communist-dominated National Front. The press legislation being considered is designed to be even more restrictive than the censorship in effect during the latter days of the Novotny regime. The draft bill calls for the reimposition of prior censorship, direct control of mass media, and the establishment of a government committee to monitor the effectiveness of the new regulations.

Foreign Minister Hajek reportedly will submit his resignation, and there may be other cabinet-level shifts. The Soviets are said to have demanded the ouster of mass media officials who have characterized the Soviet entry as an "occupation."

According to a reliable source of the US Embassy in Prague, an organized conservative opposition group has developed in the area of Ostrava in Northern Moravia. This group, which is said to consist of 2-3,000 "old Communists and disgruntled functionaries," is propagating the slogan that Dubcek is responsible for the Soviet intervention.

Participation in the invasion reportedly is having serious political side effects in Hungary and Poland. [REDACTED]

Hungary's boss Kadar, who opposed intervention until the last possible moment, remains deeply dejected and sees no one. Other Hungarian party and government leaders are attempting to carry on as usual, however. On 11 September six key leaders visited provincial centers, presumably to brief local leaders on the meaning of Czechoslovak developments.

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Polish propaganda indicates that party boss
Gomulka is trying to take advantage of the present
tough Soviet posture to intimidate his nationalistic
opponents.

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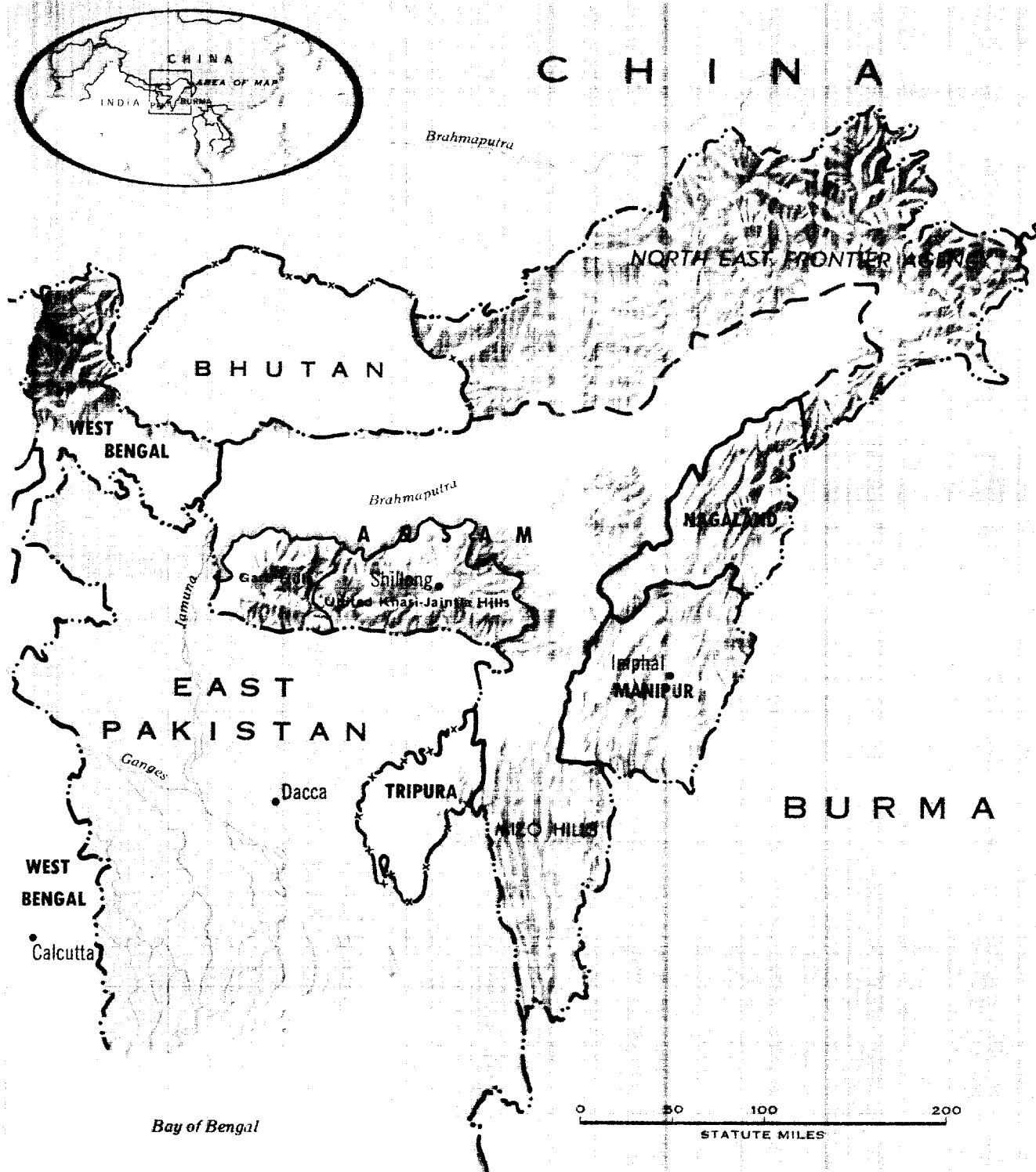
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Unique Sub-State to be Created in India



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India: New Delhi, after nearly three years of vacillation, has decided to reorganize troubled Assam by creating a new sub-state in the area.

The sub-state--consisting of the Garo and United Khasi-Jaintia hill districts--is the first of its kind in India. It was forced on New Delhi by persistent pressure from the All Parties Hill Leaders Conference (APHLC), which represents tribes resentful of control by the Hindu-dominated Assam state government. The Indian Government hopes the creation of the sub-state will spare these hill districts from disruptions like the long-festering Naga and Mizo rebellions.

The sub-state is to have its own council of ministers and legislative assembly and jurisdiction over 52 of the 63 powers which are the normal responsibility of Indian states, but Assam will retain control over the all-important function of law and order. This limitation of its functions appears to be a victory for Congress Party state bosses who have opposed giving the sub-state responsibility for those powers that would have removed the hill districts from the ultimate control of Assam and made the area, in effect, a separate state.

An APHLC general party conference will meet in a few days to consider its reaction to the New Delhi decision, but the first response of APHLC leaders has been unenthusiastic. Although these leaders had earlier acquiesced in sharing some powers with Assam, they have repeatedly insisted on sole responsibility for law and order. Moderate APHLC leaders, who have only a tenuous hold over the conference, will have to deal with young militants who continue to advocate a fully separate state for the hill districts.

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Although New Delhi says its decision is final, the conference may be encouraged to remain intransigent by the successful launching last week of a long-planned nonviolent action campaign, during which a one-day work stoppage completely tied up the Assam capital of Shillong.

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Thailand: The Communists appear to be husbanding their resources as armed incidents remain at a low level.

In the key northeast region, the insurgents still appear to be concentrating on building their village-level organization, despite some reports that they are ready to take the offensive again. Communist attacks and harassment against government security forces are still scattered and sporadic, and appear to be largely in reaction to government initiatives. Communist terrorism is also running well below previous levels. The decline in insurgent activity is almost certainly related to more intensive government security operations, although armed Communist bands are still intact.

Fighting has also tapered off in the north, where the Communists inflicted a series of sharp setbacks on government forces earlier this year. This seems to be primarily the result of the army's pullback from the Communist-held areas along the Lao border. There is also substantial evidence that the guerrillas are making a considerable effort to win support among tribal villages, including some in government-controlled areas. Government counterinsurgency programs are just getting under way and, in the case of tribal security forces, are still plagued by bureaucratic rivalries.

Meanwhile, in southern Thailand, the long-entrenched Malaysian Communists are reacting to Bangkok's increased security efforts sparked by the guerrilla's decimation of a Malaysian border patrol last June. It is also possible that a recent series of small skirmishes indicates a greater willingness on the Communists' part to reverse their past practice of avoiding incidents with the Thai. A Thai Communist propaganda broadcast in mid-August for the first time described the activity along the Malaysian border as being directed against Thailand as well as Malaysia. The Malaysian Communists, however, have given no indication that their goal now includes Thailand.

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Sudan: The coalition government in Khartoum is more unstable than ever.

The government, patched together in June after the spring elections, is an uneasy merger of the leftist Democratic Unionist Party (DUP) and one branch of the conservative Umma Party. Since its formation earlier this year, the government has been squabbling over the allotment of cabinet posts as well as domestic and international policies. In addition, it has been faced with serious problems with the country's labor unions and dissension over the recent Soviet arms deal. Many military leaders would have preferred to rely on Western sources.

The coalition governments that have controlled the country since 1964 have usually managed to fumble along in disarray for months before ending in a no-confidence vote in the assembly or new elections. The present coalition, however, seems to have the poorest prospects yet. While a new coalition may emerge, the possibility is increasing that some army leader might be tempted to take the reins, with or without the cooperation of one of the country's civilian political parties.

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Rumania - Middle East Oil: Rumania is the first of the East European countries which have oil barter deals with Iran to arrange for the delivery of Iranian crude oil.

In the past month three free world tankers have offloaded about 150,000 tons of Iranian crude at Eilat for portage through the existing 16-inch Israeli pipeline to Haifa and onward shipment to Rumania. When the Suez Canal was first closed, increased transport costs--among other reasons--discouraged East Europeans from buying Iranian oil.

Rumania also has imported about 250,000 tons of Saudi Arabian crude oil via the Cape of Good Hope since June. The use of the existing Israeli pipeline would give Iranian barter crude a distinct cost advantage over this Saudi crude.

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Mexico: Students, striking over a long list of grievances, are determined to stay on their collision course with the government.

The left-extremist strike committee at the national university has announced that all schools have rejected the rector's appeal for a return to classes. University officials are warning that the university may be closed down or used as secondary schools if the strike continues.

Student leaders have informed the press that the situation will come to a head in the next few days and that they expect the government to crack-down hard. A strike committee, indicating that it accepts the risk of government repression, reported that contingency planning already includes secret designation of an alternate leadership and the establishment of clandestine printing presses.

A "silent march" to the capital's main plaza, scheduled for today, is likely to provide the next physical confrontation between the strikers and the authorities. Another melee with security forces would be likely to spread the strike to other areas of Mexico.

Students and teachers at the University of Sinaloa are already on a sympathy strike, even though the state government is withholding its subsidy to the school in retaliation.

[REDACTED]

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Albania: Capitalizing on disarray in Eastern Europe, Albania has taken parliamentary measures to end its membership in the Warsaw Pact. The decision to get out, which was approved by the National Assembly yesterday, demonstrates Albania's contempt for the invasion of Czechoslovakia and virtually completes Tirana's disengagement from the Soviet bloc. Albania has not been an active member of the Warsaw Pact since 1961. [REDACTED]

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Philippines-Malaysia: Philippine efforts to inject the Sabah issue into current meetings of the standing committee of the Asia Pacific Council have apparently failed. The Japanese official chairing the meetings is aware of Malaysia's objection to the Philippine move and says that, without the concurrence of all members, he will not circulate a Philippine letter asserting that Manila does not recognize Malaysia's sovereignty over Sabah. [REDACTED]

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Chile: The government may have trouble getting congressional approval of its budget, social security law, and tax legislation. This year the administration submitted jointly the cost-of-living wage re-adjustment bill and the budget, hoping that through this tactic both would be enacted by the budget deadline of 31 December and that protracted congressional squabbling would be avoided. The Communists and Socialists, however, have criticized the maneuver and are calling for separate bills. The Communists also plan to propose their own social security bill. The government wants congressional approval of its economic legislation before the pressures of the campaign for the congressional elections in March make such action almost impossible. [REDACTED]

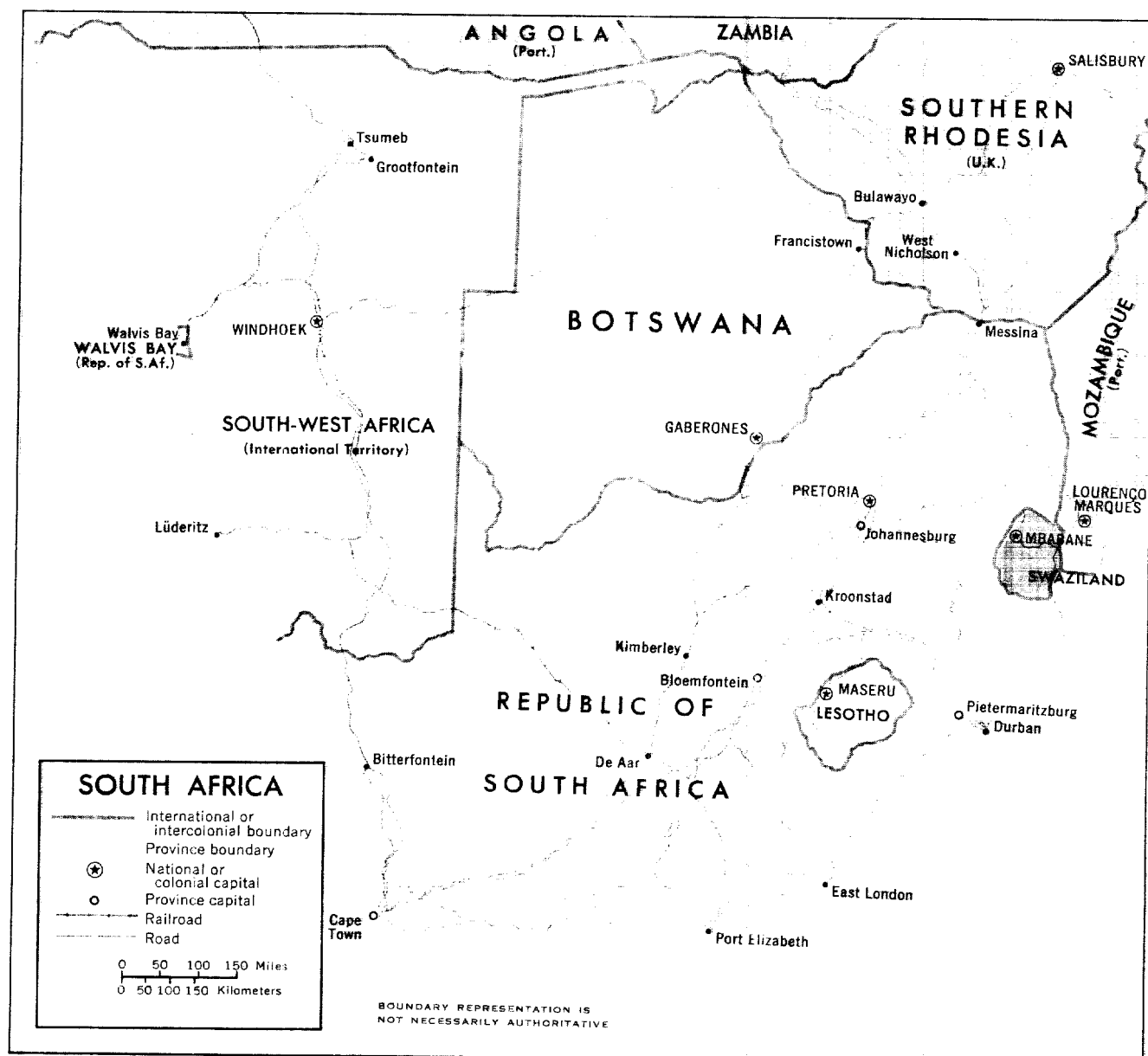
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Swaziland: The Security Council on 11 September unanimously recommended the admission to the United Nations of Swaziland--the last British dependency in Africa to gain independence. Swaziland is expected to take a moderate position in the world body, particularly with regard to neighboring white-ruled South Africa upon which it is economically dependent.

 (Map)

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